

STATE OF IOWA
BEFORE THE ARBITRATOR
ZEL S RICE II

In the matter of Arbitration between

Spencer Community School District

and

Spencer Education Association

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PUBLIC EMPLOYMENT
RELATIONS BOARD

Appearances: Steven King, for the Union
Stephen F Avery, for the Employer

Spencer Education Association, hereinafter referred to as the Union, has proposed a final offer to the Spencer Community School District, hereinafter referred to as the Employer, that the base salary of the salary schedule be increased by \$350 per year, which would result in a total package increase of 4.11%. The Employer has proposed a final offer of \$250 increase on the base salary. It would result in a total package percent increase of 3.74%. The cost of the Union's final offer would be \$340,763 and the cost of the Employer's final offer would be \$309,493. The wage offer is the only issue before the arbitrator. All other issues were resolved in the contract in force for the 2004-2005 school year. They shall remain in effect except to be altered by this arbitration hearing and the dates shall be changed to reflect the July 1, 2005 through June 30, 2006 term of the new agreement. The Employer's proposal would result in a total increase of \$309,943 and the Union's final offer would result in a total increase of \$340,763.

The Employer has a student enrollment of 1,923.1 for the 2004-2005 school year. That makes it the 45th largest school district in the state Iowa. It is a member of the Class 3A

Football District 1 and is in the Lakes Athletic Conference. This is the first time that the parties have used arbitration to settle the bargaining. There was a fact finding hearing in 1982 but all settlements prior to this have been reached by mutual agreement.

There is but one issue before the arbitrator. That issue is base salary. The Union is proposing a \$350 increase and the Employer is proposing a \$250 increase. Under the Iowa law, the arbitrator must use the offer that is most reasonable to him.

The Iowa statutes require the arbitrator to select the most reasonable offer on the impasse items submitted by the parties after considering, in addition to any other relevant factors, the following:

- A. Past collective bargaining agreements between the parties including the bargaining that led up to such contracts.
- B. Comparison of wages, hours and conditions of employment of the involved public employees of those of other public employees doing comparable work giving consideration to factors peculiar to the area and the classification involved.
- C. The interest and welfare of the public, ability of the public employer to finance economic adjustments and the effect of such adjustments on the normal standard of services.
- D. The power of the public employer to levy taxes and appropriate funds for the conduct of it's operations.

The parties last eight voluntary agreements have resulted in an average settlement of 4.1%. The Union's final offer is 4.1% and the Employer's final offer is 3.7%. The Union's final offer is .45% below the ISEA statewide settlement average of 4.55%. The Employer's final offer is .81% below the ISEA statewide settlement average of 4.55%. The settlement

percentages for the last eight school years range from a low of 3.7% to a high of 4.3%. The parties settlements over the past eight years have ranged from being .75% below the statewide average to a high of .36% above the state average. The parties have reached agreement on settlements ranging from .45% below the state average to .36% above the state average. The Union's current proposal is .45% below the state average over the last eight years compared to the Employer's proposal which is .81% below the statewide settlement average for the last eight years.

COMPARABLE GROUPS

The Union is presenting two groups for comparison. The primary group includes the schools in Class 3A District 1 football. These districts are the only districts in the area that are of relatively similar size to the Employer. The group includes Algona, Estherville-Lincoln Central, Humboldt, LeMars, MOC-Floyd Valley, Spirit Lake and Storm Lake. The Union recommends this group as a primary group for the following reasons. These are the schools that are most nearly the size of the Employer in the area and the Employer is located approximately in the center of the group. All of these communities are county seats in rural Northwest Iowa and all the districts are in the Class 3A Athletic Conference. All of the communities have significant manufacturing employment to augment the strong agricultural component. The Union asserts that the group allows the Employer to give consideration to factors peculiar to the area and the classification involved since it is geographical in nature and compares against doing like work. The Union also proposes a secondary group as a standard statewide comparison of the ten larger schools and the ten smaller schools from the Employer. Pella was removed from the group since it is a non-bargaining school and Fort Madison was added as the next largest. The secondary group has much in common with the Employer. Most are county seat communities and most are in primarily rural areas of the state. They are the schools of the most similar size in the State of Iowa. The schools in the Union's primary comparable group have enrollments ranging from a low of 1,243.2 students to a high of 2,277.9 students. The Employer's enrollment is 1,923.1 students.

The ten school districts larger than the Employer range from a low of 1,964.6 students in Vinton-Schellsberg to 2,445.9 students at Fort Madison. The enrollments in the ten school districts smaller than the Employer range from a low of 1,692.8 students in South Tama to a high of 1,894.6 students at Denison.

The Employer's teachers are paid near the average for the comparability groups. In looking at average salaries and experience, the Employer's teachers are average in salary but above average in experience for the football district comparison group. The Employer's teachers are above average in salary and above average in experience compared to the statewide group. A comparison of salary bench mark shows that the Employer's teachers are paid below average in some lanes and above average in some lanes and steps compared to both groups. The comparisons show that the comparable schools have made a solid but not extraordinary commitment to salaries and benefits. The comparisons show that the football district schools have all settled and their average settlement is between 4.38% and 4.46%. The comparison shows that 14 of the size group schools have settled and their average settlement percentage is between 4.64 and 4.71%. The Employer's teachers are paid slightly below the average teachers salary when compared to the teachers in the football district group even though they have greater experience and have earned higher average numbers of degrees.

The average salary in the 10 up 10 down comparable group ranges from a low of \$36,483 at South Tama to a high of \$43,614 at Mount Pleasant. The average of the 10 up 10 down schools districts is \$40,565 compared to the Employer's average of \$42,184. The Employer averages \$1,619 higher than the 10 up 10 down school districts. Average district experience of teachers in the 10 up 10 down range from a low of 9.29 years at Storm Lake to a high of 13.79 at Waverly-Shell Rock. The average experience of the 10 up 10 down school districts is 11.78 years while the Employer's average experience is 12.96 years. The Employer's

average is 1.18 years more than the average of the comparable group. Total average experience in the 10 up 10 down school district ranges from a low of 13.68 years at Benton to a high of 18.68 years at Waverly-Shell Rock. The Employer's total average experience is 2.17 years more than the total average for the 10 up, 10 down group. The average degrees in the 10 up 10 down school district ranges from a low of 2.16 at Knoxville to a high of 2.43 at Boone, Iowa. Certain teachers have been paid above the average teachers salary when compared to the teachers in the 10 up 10 down group. They have greater experience and have achieved a higher average number of degrees earned. The combination of higher experience accounts for the higher salaries of the Employer's teachers. Two years of extra experience on the Employer's salary schedule would account for an additional \$941 up to \$2,445 depending on location and salary schedule. The maximum high salary in the football conference is \$48,006 while Employer's maximum is \$48,812, or \$806 more than the comparable group. The Employer's schedule is better in some areas and significantly weaker in other areas. The Employer's teachers are paid similar to the teachers in the schools of the football district that is used for comparison. The Employer's salary schedule is slightly above average for the comparable group of 10 larger 10 smaller. It is higher in the middle range of the schedule but the highest salaries are close to the average. The 2005-2006 settlement comparison information reflects that the highest increase was at LeMars which had an increase of 4.8% and the lowest was at Humboldt which had an increase of 4%. The Employer's 2005-2006 ISEA-IASB settlement comparison reflects that the increases range from a low of 4% at Fort Madison to a high of 5.8% at Winterset. The average was 4.67%. In the health and dental contribution, the school district contribution ranges from a low of \$5,233.32 at Spirit Lake to a high of \$10,471.92 at Humboldt. The Employer's total contribution is \$7,800 per teacher.

The past settlements in the football conference over the period of 1997-1998 to 2004-2005, range from a low of 3.98% at MOC-Floyd Valley to a high of 4.72% at Storm Lake. For the

2005-2006 school year, the settlements in the football conference range from a low of 3.99% at Humboldt to a high of 4.8% at LeMars with an average of 4.34%. The Union is seeking a 4.1% increase while the Employer is proposing a 3.7% increase. In the 10 larger and 10 smaller school districts the 2005-2006 increases range from a low of 4% at Fairfield to a high of 5.1% at Mount Pleasant and Vinton-Shellsburg. This compares with the Union's proposal of 4.1% and the Employer's proposal of 3.7%.

At the end of the 2003-2004 school year, the Employer's unused spending authority was \$2,944,614 or 20% of its expenditures. Since 1989, the Employer's unspent balance ranged from a low of \$2,321,050 in 1989-1990 to a high of \$4,547,063 in the 1996-1997 school year. The Employer's unspent balance has declined regularly since 1996-1997 to its current level of \$2,944,614. The Employer's last unspent balance was over 20% of its expenditures.

The total amount spent on instructor's salaries since the 1994-1995 school year ranges from a low of \$5,446,827 in 1994-1995 to a high of \$6,598,770 in the 2001-2002 school year. The percent of general fund expenditures for the teacher's salaries ranged from a low of 44.17% in 2003-2004 to a high of 49.04% in 1994-1995. Due to turnover savings and reductions the Employer will spend less for bargaining unit salaries in 2005-2006 even if the Union's final offer is selected by the arbitrator. During the 2003-2004 school year, the Employer's unspent budget authority was \$2,944,614. The unspent budget authority in the football conference range from a low of \$945,187 at Humboldt to \$6,076,018 at LeMars. The Employer's unspent budget authority was the second highest in the football conference. In the 10 larger 10 smaller comparable group, the unspent budget authority ranged from a low of \$338,704 at Boone to a high of \$6,076,018 at LeMars. The Employer's unspent budget authority of \$2,944,614 was the second highest in that comparable group. The Employer's tax reserve at the end of the 2005-2006 would be \$165,641. The Employer had

a cash reserve levy of \$450,000 at the end of the 2004-2005 school year as a result of a referendum that the electorate approved. That resulted in the Employer having the third highest cash reserve levy in the football conference. Humboldt had the highest cash reserve levy during that school year of \$578,165 and the Employer was third. In the 10 larger 10 smaller comparable group the cash reserve levy ranged from \$0 at LeMars and Fort Madison to \$1,056,479 in Boone. Only five school districts in the 10 larger 10 smaller comparable group had larger cash reserve totals than the Employer. The Employer's certified enrollment during the period from 1988-1989 to 2004-2005 ranged from a low 2,150.5 in 1999-2000 to a high of 2,307.6 in the 1992 school year. The Employer's current enrollment is 1,923.1 students. The majority of Iowa school districts have declining enrollments and the Employer's enrollment rank is 45th out of 367 school districts.

It is common in Iowa for settlements to exceed the regular program increase in both percentage and dollar amounts. Districts with less regular program money for the 2005-2006 have settled for total packages averaging 4.2%. Regular program money is only a portion of the general fund. Some employees are paid from special funds in addition to regular program money. As experienced employees retire and are replaced, turnover savings funds salary and benefits increases. The Employer's final offer would take less than half of the turnover savings. The Employer's 2004-2005 total tax rate is 13.40352 or about \$13.40 per \$1,000 of assessed valuation compared to a statewide average of about \$15.06. In general, tax rates increased statewide due to reduced agricultural valuations. Since valuations are reduced, higher tax rates do not necessarily mean high taxes. The arbitrator's award will not increase nor will it decrease the Employer's tax rate.

The property tax rate in the football conference school districts ranged from 10.97631 at Spirit Lake to a high of 17.39124 at Estherville-Lincoln Central. The Employer's tax rate

was 13.40352. In the 10 larger 10 lower school districts, the tax rate ranged from a low of 12.10120 at Waverly-Shell Rock to a high of 22.06467 at Norwalk. The Employer's tax rate was 13.40352.

School districts statewide with a similar regular program increase of new money have settled for an average of 4.26%. The district received a major increase in insurance rates for 2005-2006. Teachers taking family coverage will have to pay an additional \$3,192 out of their salary to pay for family insurance in 2005-2006. The Employer's teachers already have a high out-of-pocket expense for health care.

Over the last three years, over \$73,000 that has been bargained has not been spent on teachers due to turnover. The Employer has reduced the teaching staff for 2005-2006 by cutting staff from the bargaining unit. The Employer will spend at least \$28,579 less next year than it spent during the 2001-2002 school year on bargaining units, salaries and benefits. The Employer wants it's teachers to shoulder a heavier burden and accept a reduced settlement. Approximately 40% of the Employer's employees take family insurance. They are suffering an immense hit due to insurance costs for 2005-2006. Due to higher premium costs for the next year, the Employer's teachers will have higher out-of-pocket expenses in a form of higher deductibles and higher maximum out-of-pocket expenses. The Employer's teachers face higher out-of-pocket expenses than do teachers in like size Iowa districts. The Employer has saved an average of \$191,098 over the last three years from their settled amounts. The total turnover savings is in excess of \$570,000. The Employer will spend \$28,579 less next year than it spent in 2001-2002.

The Employer has had a declining population in its school since 1995. In 1995, the population was 2,277 pupils. In 2004, it had 1,923.1 students. There has been a decline every year since 1995, except in 1997 when it gained one student and 2003 when it gained

four students. The student aid from the State of Iowa was \$4,741 per pupil and in 2005-2006 it is \$4,931 per pupil. The regular program cost in 2004-2005 was \$9,506,179 and in 2005-2006 it will be \$9,482,806. The Employer received a 10% adjustment for the 2005-2006 which totaled \$118,435. That gave a total program cost of \$9,601,241 in 2005-2006 which included \$95,062 in new money. The percent of change in the regular program included .77% of new money. In 2006, the percent of change in the regular program cost is 1% for the \$95, 062 previously referred to. In fiscal year 1996, the actual unspent authorized budget was \$4,680,521. It has declined every year and in 2003 the amount was \$3,535,028. The unspent authorized budget for fiscal year 2004 was \$2,911,505. For fiscal year 2005, it will be \$2,136,958. Estimated unspent balance for 2005 will be \$2,100,000 and the actual extra cash that the Employer will have on hand is estimated to be \$1,000,000. The Employer's financial solvency ratio in 1995 was 30.93% and on June 30, 2005 it was 6%.

On March 8, 2005, the Employer presented a support levy for instructional purposes to the electorate in a referendum and it was voted down. Since that time, the Employer has identified the employees who were being reduced and delivered termination notices. It published the budget estimate for the fiscal 2006 and adopted a certified budget. After implementing a number of reductions for the 2005-2006 school year, the Employer took final action on a budget package on February 28, 2005. The total reduction in the proposed budget was \$997,737.

The Employers fiscal year 2005 budget package totaled \$15,028,435. It is estimated fiscal 2006 total will be \$15,594,324. This is \$600,000 more than the total revenue that the Employer estimates it will receive.

A referendum for the Employer instructional support levy was held on March 8, 2005 and 68% of the ballots were cast against it. The majority of the school districts in the State of Iowa have passed the instructional levy but the Employer is included in the 11% of the school districts that have not passed the levy. On September 11, 2001, the Employer conducted a referendum to authorize for a period of ten years the authority to levy annually a voter approved physical plant and equipment property tax not to exceed \$1.34 per \$1,000 of the assessed value of the taxable property. The issue was defeated 661 to 293. On September 10, 2002, the Employer conducted a referendum to authorize a physical plant and equipment property tax not to exceed \$.67 per \$1,000 of the assessed valuation of the property. The vote cast was 977 votes for and 312 cast against. The issue passed. The referendum for the special interest structure local options sales tax was held on September 30, 2003. It would have imposed a 1% local sales and services tax in the county for school infrastructure projects for ten years from January 1, 2004 to December 31, 2013. The measure passed 1,640 to 1,515. On October 15, 1996, the Employer conducted a referendum that would have authorized it to issue school bonds in an amount exceeding \$9,900,000 for the purpose of building, equipping and furnishing a new middle school facility. The referendum was defeated 1,804 votes to 1,708 votes. On March 28, 2000, the Employer conducted another referendum authorizing it to issue school bonds in an amount not exceeding \$9,900,000 for the purpose of building, equipping and furnishing a new middle school facility. The issue was defeated. On October 10, 2000, the Employer conducted a referendum authorizing it to issue school bonds in an amount not exceeding \$9,985,000 for the purpose of building, equipping and furnishing a new middle school facility. The issue was defeated 1,994 to 1,798. On April 20, 2004, the Employer conducted a referendum asking the electoral to authorize it to issue school bonds in an amount not exceeding \$4,000,000 for the purpose of building, equipping and furnishing a new middle school facility. The issue passed 2,354 to 1,447.

Teacher negotiation settlements have increased an average of 3.9% since the 1999-2000 school year. In 1999-2000, the total package settlement was 3.75% for a total cost of \$277,219. In 2000-2001, the increase was 4.07% and totaled \$311,267. In 2001-2002, the settlement increase was 4.26% and totaled \$332,292. In 2002-2003, the settlement increased 3.72% and totaled \$296,201. In 2003-2004, the settlement totaled 3.93% and totaled \$308,204. In 2004-2005, the total package increase was 4.01% and totaled \$328,285.

The Employer has reached other settlements for the 2005-2006 school year. The administrators received a 3.75% total package settlement and they received the insurance coverage similar to the coverage of all employees of the school district. The manager, board secretaries, supervisors and other non-union staff received a 2.82% total package settlement for the 2005-2006 school year and they received the same insurance coverage as all other employees of the district. Local 821 United Electrical, Radio and Machine Workers of America who represent part-time and subs of the secretarial, library associates, media associates, teacher associates, bus drivers, food and custodians reached a 3.63% total package settlement and insurance coverage was the same as all other employees of the district.

As a teacher advances each year on the salary schedule, he/she receives an increase of pay even without an increase in the schedule. In 2004-2005, a BA at Step 3 received \$27,652. In 2005-2006, that teacher would be a BA Step 4 and would receive an increase of \$1,202 even without an increase in the salary schedule. In 2004-2005, a teacher at MA Step 10 received \$39,674. In 2005-2006, that same teacher would receive \$40,877 or an increase of \$1,203 even if the salary schedule would not be increased. In 2004-2005, the teacher with a MA plus Step 13 received \$45,686. In 2005-2006, that same teacher would received \$46,888 for an increase of \$1,202.

The amounts paid by the school districts toward the employees insurance in the Lakes Conference range from a low of \$4,778 at Emmetsburg to a high of \$11,146 at Estherville-Lincoln Central. The Employer pays \$7,800 of each employees insurance which is the third highest in the conference.

The solvency ratio used by the Iowa Schools Cash Anticipated Program (ISCAP) is a financial calculation that expresses the amount of a school districts undesignated and unreserved fund balance as a percent of it's revenues. The ratios usefulness is limited to the investors in ISCAP bonds. The solvency ratio used by ISCAP has the following four levels: target solvency position 5 to 10%, acceptable solvency ratio 0 to 4.99%, solvency alert -3 to 0%, solvency concern below -3%. The Employer's solvency rate at the end of the last completed budget year of over 11% was above the target solvency position of 5 to 10%.

DISCUSSION

The Iowa statutes require an arbitrator to give consideration to past collective bargaining agreements between the parties, a comparison of wages, hours and conditions of the involved public employment and those of other public employees doing comparable work, the interest and welfare of the public including the ability of the public employer to finance economic adjustments and the power of the public employer to levy taxes and the appropriate funds for the conduct of it's operation.

The parties last eight volunteer agreements resulted in an average settlement agreements of 4.1%. The Union's final offer here is 4.1% and the Employer's final offer is 3.7%. The Union's final offer is .45 below the ISEA statewide settlement average of 4.55%. The Employer's final offer is .81% below that same average. The settlement percentages for the last eight years range from a low of 3.7% to a high of 4.3%. The parties settlements over

the past eight years have ranged from being .75% below the statewide average to a high of .36% above the state average. The parties have reached agreements on settlements ranging from .45% below the state average to .36% above the state average. The Union's current proposal is .45% below the state average over the last eight years compared to the Employer's proposal which is .81% below the statewide settlement average for the last eight years.

The Union is presenting two groups for comparison. The primary group is a Class A, District 1 Football conference. These districts are the only schools in the area that are relative similar size to the Employer. Schools in that comparable group are most nearly the size of the Employer in the area and the Employers located approximately in the center of the group. All of these communities are county seats in rural northwest Iowa and all the districts are in Class 3A athletic conference. The communities have a significant manufacturing employment to augment the strong agricultural component. The group gives consideration to factors peculiar to the area. The classification is geographical in nature and compares employees doing like work. The Union also proposes a secondary group as a standard statewide comparison of the 10 larger schools and the 10 smaller schools than the Employer. The group has much in common with the Employer. Most are county seat communities and most are in primarily rural areas of the state. They are the schools with the most similar size in the State of Iowa and have enrollments ranging from a low of 1,243.2 students to a high of 2,277.9 students. The Employer's enrollment is 1,923.1 students.

The Employer's teachers are paid near the average of the comparable groups. The Employer's teachers are average in salary but above the average in experience for the Football District comparison group. They are also above the average in salary and above average in experience in the 10 larger, 10 smaller group. A comparison of salary bench

marks shows that the Employer's teachers are paid below average in some lanes and above average in other lanes and steps compared to both the 10 larger, 10 smaller and the Football Conference.

The comparison shows that the comparable schools have made a solid but not extraordinary commitment to salary and benefits. The Football Conference District schools have all settled and their average settlement is between 4.38% and 4.46%. The comparison shows that 14 of the 10 larger, 10 smaller group schools have settled and their average settlement have been between 4.64% and 4.71%. The Employer's teachers are paid slightly below the average teachers salary when compared to the teachers in the Football District group even though they have greater experience and have achieved higher average degrees earned. The average salary of the 10 up, 10 down school districts is \$40,565 compared to the Employer's average of \$42,184. The average experience of the 10 up, 10 down school district is 11.78 years while the Employer's average experience is 12.96 years. The average degrees in the 10 up, 10 down school districts ranges from a low of 2.16 at Knoxville to a high of 2.43 at Boone, Iowa. Certain teachers have been paid above the average teachers salary when compared to the teachers in the 10 up, 10 down group. They have greater experience and have earned a higher average number of degrees. The combination of higher experience accounts for the higher salary of the Employer's teachers.

The maximum high salary in the Football Conference is \$48,006 while the Employer's maximum is \$48,812 or \$806 more than the comparable group. The Employer's teachers are paid similar to the teachers in the school of the Football District that is used for comparison. It's salaries are slightly above the average in the comparable group of 10 larger, 10 smaller school districts because it is higher in the middle range of the schedule and the highest salaries are close to the average. The Employer's 2005-2006 ISEA-IASB

settlement comparisons in the ISEA-IASB reflect that the increases range from a low of 4% at Fort Addison to a high of 5.8% at Linderset. The average was 4.67%. In the health and dental contribution, the school district contributions ranges from a low of \$5,233.32 at Spirit Lake to a high of \$10,471.92 at Humboldt. The Employer's total contribution is \$7,800 per teacher.

In the Football Conference over the period 1997-1998 to 2004-2005, the settlements range from a low of 3.98% to a high of 4.72%. For the 2005-2006 school year, the settlements in the Football Conference range from a low of 3.99% at Humboldt to a high of 4.8% at LeMars with an average of 4.34%. The Union is seeking a 4.1% increase while the Employer is proposing a 3.7% increase. In the 10 larger, 10 smaller school districts, the 2005-2006 increases range from a low of 4% at Fairfield to a high of 5.1% at Mount Pleasant and Vinton-Shellsburg.

At the end of the 2003-2004 school year, the Employer's unused spending authority was \$2,944,614 or 20% of it's expenditures. Since 1989, the Employer's unspent balance has declined regularly from a high of \$4,547,063 in the 1996-1997 school year to a low of \$2,321,050 in the 1989 school year. The Employer's unspent balance has declined since the 1996-1997 to it's current level of \$2,944,614. The Employer's last unspent balance was 20% of its expenditures. The percent of general fund expenditures for teacher's salaries ranges from a low of 44.17% in 2003-2004 to a high of 49.04% in the 1994-1995 school year. Due to turnover savings and reductions, the Employer will spend less for bargaining unit salaries in 2005-2006 even if the Union's final offer is selected by the arbitrator. In the 2003-2004 school year, the Employer's unspent budget authority was the second highest in the Football Conference. In the 10 larger, 10 smaller comparable group, the unspent budget authority ranged from a low of \$338,704 at Boone to a high of \$6,076,018 at LeMars. The

Humboldt school district had the highest cash reserve levy during the 2004-2005 of \$578,165. The Employer has the third highest. In the 10 larger, 10 smaller comparable group, the cash reserve levy ranged from \$0 at LeMars and Fort Madison to \$1,056,479 in Boone. Only five school districts in the 10 larger, 10 smaller comparable group had a larger cash reserve totals than the Employer.

The Employer's certified enrollment during the period 1988-1989 to 2004-2005 ranged from a low of 2,150.5 in the 1999-2000 school year to a high of 2,307.6 in the 1992 school year. The Employer's current enrollment is 1,923.1 students. The majority of Iowa school districts have had declining enrollments and the Employer's enrollment rank is 45th of the 367 school districts.

It is common in Iowa for the settlements to exceed the regular program increase in both percentage and dollar amounts. Districts with less regular program for the 2005-2006 have settled for total packages averaging 4.2%. As experienced employees retire and are replaced, turnover savings, salary and benefits increase. The Employers final offer would take less than half of the turnover savings.

The Employer received a major increase in insurance rates for the 2005-2006. Teachers taking family coverage will have to pay an additional \$3,192 out of their salary to pay for family insurance in the 2005-2006 school year. The Employer's teachers already have a high out of pocket expense for health care.

Over the past three years, over \$73,000 that has been bargained by the Union has not been spent on teachers due to turnover. The Employer has reduced it's teaching staff cost by cutting the staff. The Employer will spend at least \$28,579 less next year than they spent

in the 2001-2002 school year on bargaining unit salaries and benefits. The Employer wants it's teachers to shoulder a heavy burden and accept a reduced settlement. The Employer's teachers will have a higher out-of-pocket expenses in the form of higher deductibles and higher maximum payments. It's teachers face higher out-of-pocket expenses than do teachers in like size Iowa districts. The Employer has saved over \$191,098 over the last three years from their settled amounts. The total turnover savings is in excess of \$570,000. The Employer will spend \$28,579 less next year than it spent in 2001-2002.

The Employer has had a declining population in it's school since 1995. There has been a decline every year since 1995 except when it gained one student and 2003 when it gained four students. The student aid from the State of Iowa is \$4,741 per pupil and in 2005-2006 it is \$4,931 per pupil. The regular program costs in 2004-2005 was \$9,506,179 and in 2005-2006 is will be \$9,482,806. The Employer received a 10% adjustment for the 2005-2006 school year which included \$95,062 of new money. Estimated unspent balance for 2005-2006 will result in the Employer having extra cash on hand of approximately \$1,000,000.

The Employer conducted a referendum to obtain an instructional support levy on March 8, 2005 and 68% of the ballots were cast against it. The majority of the school districts in the State of Iowa passed the instructional levy but the Employer was among the 11% of the school districts that did not pass the levy. On September 11, 2001, the Employer conducted a referendum to authorize for a period of ten years the authority to levy annually a voter approved physical plant and equipment property tax not to exceed a \$1.34 per \$1,000 of the assessed value of the taxable property. The issue was defeated 661 to 293. On September 10, 2002, the Employer conducted a referendum to authorize a physical plant and equipment property tax not to exceed \$.67 per \$1,000 of the assessed valuation of the property. The vote cast was 977 for and 312 cast against. The issue passed. The referendum for the

special instructional local option sales tax was held on September 30, 2003. It would have imposed a 1% local sales and services tax in the county for school instructional projects for 10 years from January 1, 2004 to December 31, 2013. The measure passed 1,640 to 1,515. On October 15, 1966, the Employer conducted a referendum that would have authorized it to issue school bonds in an amount exceeding \$9,900,000 for the purpose of building, equipping and furnishing a new middle school facility. The referendum was defeated 1,804 to 1,708 votes. On March 28, 2000, the Employer conducted another referendum authorizing it to issue school bonds in an amount not exceeding \$9,900,000 for the purpose of building, equipping and furnishing a new middle school facility. The issue was defeated. On October 10, 2000, the Employer conducted a referendum authorizing it to issue school bonds in an amount not exceeding \$9,985,000 for the purpose of building, equipping and furnishing a new middle school facility. The issue was defeated 1,994 votes to 1,798. On April 20, 2004, the Employer conducted a referendum asking the electorate to authorize it to issue school bonds not to exceed \$4,000,000 for the purpose of building, equipping and furnishing a new middle school facility. The issue passed 2,354 to 1,447.

Teacher negotiation settlements have increased an average 3.9% since the 1999-2000 school year. In 1999-2000, the total package settlement was 3.75% for a total cost of \$277,219. In 2000-2001, the increase was 4.07% and totaled \$311,267. In 2001-2002, the settlement increase was 4.26% and totaled \$332,292. In 2002-2003, the settlement increased 3.72% and totaled \$296,201. In 2003-2004, the settlement added 3.93% and totaled \$308, 204. In 2004-2005, the total package increase was 4.01% and totalled \$328,285.

The Employer has reached other settlements for the 2005-2006 school year. The administrators received a 3.75% total package settlement and they received insurance coverage similar to the coverage all employees of the school district. The manager, board

secretaries, supervisors and other non-union staff received a 2.82% total package settlement for the 2005-2006 school year and they received the same insurance coverage as all other employees of the district. Local 821 United Electrical Radio and Machine Workers of America, who represent part-time and subs of the secretarial, library associates, media associates, teacher associates, bus drivers, food and custodians reached a 3.63% total package settlement and the insurance coverage was the same as all others of the district received.

As a teacher advances each year on the salary schedule, he/she receives an increase of pay even without an increase in the schedule. In 2004-2005, a BA teacher at Step 3 received \$27,652. In 2005-2006, that same teacher would be a BA Step 4 and would receive an increase of \$1,202 even without an increase of the salary schedule. In 2004-2005, a teacher at MA Step 10 would receive \$39,674. In 2005-2006, that same teacher would receive \$40,877 or an increase of \$1,203 even if the salary schedule was not increased. In 2004-2005, a teacher at MA Plus Step 13 received \$45,686. In 2005-2006, that same teacher would receive \$46,888 for an increase of \$1,202.

The amounts paid by the school district toward the employees insurance in the Lakes Conference range from a low of \$4,778 at Emmettsberg to a high of \$11,146 at Esterville-Lincoln Central. The Employer pays \$7,800 of each employees insurance which is the third highest in the conference.

There is but one issue before the arbitrator, that issue is base salary. The Union is proposing a \$350 increase and the Employer is proposing a \$250 increase. According to Iowa law, the arbitrator must choose the offer that is most reasonable to him. In determining the most reasonable offer, the arbitrator is required to consider past collective bargaining agreements

between the parties including the bargaining that led up to such contracts, comparison of wages and hours and conditions of employment of the involved public employees with those of other public employees doing comparable work, the interest and welfare of the public including the ability of the public employer to finance economic adjusts and the effect of such adjustments on the normal standard of services and the power of the public employer to levy taxes and appropriate funds for the conduct of it's operations. As stated earlier, the average salaries in the Football district range from a low of \$39,449 at Esterville-Lincoln Central to a high of \$45,910 at Algona. The average salary in the football district is \$42,304. The Employer's average salary is \$42,184, which is \$120 less than the average in the football conference. The average experience in the football conference ranges from the low of 9.29 years at Storm Lake to a high of 14.96 years at Algona. The average salary is based on 11.38 years of service. The Employer's teachers average 12.96 years of service and the average is 1.58 years more than the average in the conference. The total average experience ranges from a low of 14.59 years of service at MOC-Floyd Valley which had 14.59 years of service to a high of 19.84 years of service at Algona. Average in the conference is 16.34 years of service and the Employer averages 17.85 years of service which is 1.51 years more than the average in the conference. The average number of degrees in the football district range from a low of 2.14 to a high of 2.27 at Esterville-Lincoln Central. That average number of degrees in the conference is 2.25 degrees and the Employer has an average of 2.32 degrees which is .07 of a degree more than the average of the conference. The Employer's teachers are paid slightly below the average teachers salary when compared to the teachers in the football district group in spite of have greater experience and having achieved higher average degrees. The average salaries in the 10 up 10 down comparison group range from \$36,483 at South Tama to a high of \$45,852 at Dennison. The average salary in the 10 up 10 down group is \$40,565. The Employer pays it's average teachers \$42,184 which is \$1,619 more than the average of the 10 up 10 down comparison group.

The average experience in that group ranges from a low of 9.29 at Storm Lake to a high of 13.79 at Waverly-Shell Rock. The average district experience of the Employer is 12.96 years which compared to the average in the comparable group of 10 up 10 down of 11.78. The Employer's teachers have an average of 1.18 more years of experience than the comparable group. The total average experience of the comparable group is 15.68 years and it ranges from a low of 12.77 years at Norwalk to 18.68 at Waverly-Shell Rock. The Employer's average years of experience is 17.85 years which is 2.17 years more than the average. The average degrees in the 10 up 10 down comparison group range from a low of 2.17 at Carroll to a high 2.45 degrees at Keokuk. The average numbers of degrees in the 10 up 10 down comparison group is 2.30 degrees. The Employer has an average of 2.32 degrees which is .02 more than the average of the comparable group. The Employer's teachers are paid above the average teachers salary when compared to the 10 up 10 down group. They have greater experience and have earned a higher average number of degrees. The combination of higher experience accounts for the higher salaries. Two years of extra experience on the Spencer salary schedule would account for an additional \$941 up to \$2,445 depending on location on the salary schedule. The Employer's scheduled is better in some areas and significantly weaker in other areas. The Employer's teachers are paid similar to teachers of the schools of the football district that is used for comparison. It's salary schedule is slightly above average for the comparable group. It is higher in the middle range of the schedule but the highest salaries are close to the average. The 2005-2006 ISEA settlements range from an increase of 4.2% at Algona to an increase of 4.8% LeMars. This should be compared to the Employer's proposal to a 3.75% increase for the 2005-2006 school year and the Union's proposal of 4.1% increase. The average increase is 4.46%. IASB average settlement is 4.4%. The increases range from a low of 4.1% at Algona to a high of 4.8% at Estherville-Lincoln Central. The average settlement is 4.4%. The Employer's proposal of 3.75% is well below the average settlement in either of the ISEA or

IASB and the Union's proposal is somewhat closer. It asks for a 4.1% increase. Settlements in the 10 larger 10 smaller schools range from a low of 4% at Fort Madison to a high of 5.8% at Winterset. The average increase in the ISEA was 4.71%. In the IASB, settlements range from a low of 4.2% at Carroll to a high of 5.1% at Mount Pleasant and Vinton-Shellsburg. The average increase in that group is 4.64%. The Employer's proposal is of 3.75% is almost a percentage below the average of that group while the Union's proposal of 4.1% is lower than any of the comparable group in the organization. The average combined health dental insurance for a single is \$5,266.41 and the contribution for a dependent would \$2,926.29 which could result in a total contribution of \$8,192.69 for a teacher with dependents. The Employer contributes \$4,683.72 for a single teacher plus a \$3,116.28 for a teacher with dependents. The total contribution could be \$7,800.

The average settlement in the football conference over the period of 1997-1998 to 2004-2005 was a 4.40% increase. The average increase for 2005-2006 is 4.34%. The Employer's average settlement for that same period was 4% and the Union is requesting 4.1% for the 2005-2006 school year. That is .24% lower than the average settlement in the football conference. The Union's position is lower than the football district average but is close to the average. It compares much more favorably to the settlements in the district than the Employer's offer. The average settlement of that period was 4.54% and the settlements reached for the 2005-2006 school year average 4.5%. The Union is requesting a 4.1% increase for the 2005-2006 school year which is .48% lower than the comparable group average. The Employer's proposal is for a 3.7% increase and that is .88% less than the comparable group. The Union's position is clearly more reasonable when compared to the other comparable groups than the Employer's.

The Union's final offer can be funded by a portion of the turnover savings and special funds. Turnover savings for 2005-2006 will be over \$710,000. The Union's final offer is costed

at \$340,763 increase. Less than half of the turnover savings will fund the Employer's final year. At the end of the 2003-2004 school year, the Employer's unused spending authority was \$2,944,614. Although the Employer has a regular program increase for 2005-2006 the settlement proposed by the Union could be funded by money in the form of turnover savings. If all bargaining unit employees return in 2005-2006, the two proposals would be about \$31,000. Because of the large amount of turnover savings for 2005-2006, the Employer will pay less in bargaining unit salaries and benefits. Due to turnover savings and reductions, the Employer will spend less for bargaining unit salaries in 2005-2006 even if the Union's final offer is awarded. Continuation of the cash reserve levy will increase the ending fund balance. The Employer has the third largest unspent budget authority of the twenty schools in the 10 up 10 down comparable group.

The majority of Iowa school districts have declining enrollment and the Employer has been no exception. It's enrollment ranks forty-fifth out of the 367 school districts in the state. The Union's final offer would take less than half of the turnover savings. Employer's 2004-2005 total tax rate is 13.40352 or about \$13.40 for a \$1,000 assessed valuation compared to a statewide average of about \$15.06. It's general tax rates increased statewide due to reduced agricultural valuations. Since valuations were reduced, higher tax rates do not necessarily mean higher taxes. The arbitrator's award will not increase nor will it decrease the Employer's tax rate. The property tax rate in the football conference in the 2004-2005 school year ranged from a low of \$10.97 per \$1,000 at Spirit Lake to a high of \$17.39 at Estherville-Lincoln Central. The Employer's tax rate that year was pretty much in the middle at \$13.40 per \$1,000. During that same year, the tax rate for the 10 up 10 down comparable group ranged from a low of \$12.10 per \$1,000 at Waverly-Shell Rock to a high of \$22.06 per \$1,000 at Norwalk. The Employer's tax rate was very near the bottom at \$13.40 per \$1,000.

School districts statewide with a similar regular program increases have settled for an average of 4.26% increase. The Union's offer is 4.1% and is clearly the most reasonable compared to that average. The Employer received a major increase in insurance rates for 2005-2006 and teachers taking family coverage will have to pay an additional \$3,192 out of their salary to pay for insurance in 2005-2006. The Employer's teachers already have a higher than average out-of-pocket contribution for health care. Over the past three years, over \$573 that has been bargained between the Employer and the Union has not been spent on teachers due to turnover. The Employer has decimated the teaching staff for the 2005-2006 school year. They have cut over \$710,000 from the bargaining unit alone. The Employer will spend at least \$28,579 less next year than they spent the 2001-2002 school year on bargaining unit salaries and benefits. The Union's offer of 4.1% is clearly and demonstrably the most reasonable offer before the arbitrator and will be awarded.

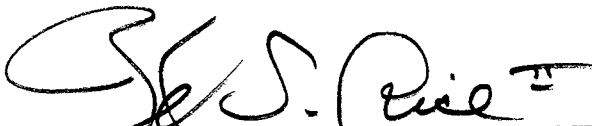
The past collective bargaining contracts between the parties including the bargaining that led up to these contracts has been approximately 4.1% increase per year and is about the same as the average increase in the school districts in the comparable groups. A comparison of wages, hours and conditions of employment of the Employer's teachers with those of other teachers doing comparable work shows the Union is requesting close to the same or less than the average employees are being paid in the comparable groups. The Employer certainly has the ability to finance economic adjustments even though the effect of those adjustments on the normal standard of services is depressing. The Employer has the power to levy taxes and appropriate funds for the conduct of its operation but such a levy of taxes will not be necessary to meet the Union's proposal for a salary schedule for the 2005-2006 school year.

It there for follows from the above facts and discussion thereon that the undersigned renders the following award.

AWARD

After full consideration of the criteria set forth in the statutes and after careful and extensive evaluation of the testimony, arguments and exhibits of the parties, the arbitrator finds that the Union's final offer more closely adheres to the statutory criteria than that of the Employer and directs that the Union's proposal, attached hereto and marked as Exhibit A, be incorporated into the collective bargaining agreement as a resolution of this dispute.

Dated in Sparta, Wisconsin this 4th of August, 2005



Zel S Rice II
Arbitrator

EXHIBIT B

BEFORE ARBITRATOR ZEL S. RICE

IN THE MATTER OF THE ARBITRATION OF

SPENCER COMMUNITY SCHOOL DISTRICT	:	FINAL OFFER OF
AND CONCERNING	:	SPENCER COMMUNITY
SPENCER EDUCATION ASSOCIATION	:	SCHOOL DISTRICT

Salary: The position of the Spencer Community School District is to increase the base salary by \$250 which amounts to a total package of 3.75%.